

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Kimball Township	County St. Clair
Fiscal Year End March 31, 2007	Opinion Date October 17, 2007	Date Audit Report Submitted to State October 31, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

^{US}
YES ☒ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Andrews Hooper & Pavlik P.L.C.		Telephone Number 248.340.6050	
Street Address 3201 University Drive Suite 350		City Auburn Hills	State MI
		Zip 48326	
Authorizing CPA Signature 		Printed Name Roger E. Hitchcock	License Number 1101014461

Audited Financial Statements

**Township of Kimball
St. Clair County, Michigan**

*Year ended March 31, 2007
with Report of Independent Auditors*

Township Officials

Supervisor	Thomas L. Portis
Clerk	Joyce Shaffer
Treasurer	Brian E. Anglebrandt
Trustees	Becky J. Wrubel Edmond Kilroy Paula S. (Sue) Halifax Debbie Cooley

Township of Kimball

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ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Report of Independent Auditors

To the Township Officials
Township of Kimball
Kimball, Michigan 48074

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Township of Kimball (the "Township"), as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Township of Kimball, as of March 31, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township of Kimball has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Andrews Hooper & Pavlik P.L.C.

Auburn Hills, Michigan
October 17, 2007

Township of Kimball
Statement of Net Assets
March 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and equivalents	\$ 1,843,341	\$ 3,155,468	\$ 4,998,809
Accounts receivable	79,943	394,901	474,844
Prepaid expenses	7,084		7,084
Due from other funds	156,733		156,733
Total current assets	2,087,101	3,550,369	5,637,470
Advance to other funds		840,000	840,000
Special assessments receivable		3,125,218	3,125,218
Unamortized discount on bonds - net		57,472	57,472
Capital assets			
Property, plant and equipment	3,160,370	14,281,878	17,442,248
Less accumulated depreciation	(1,714,894)	(4,135,971)	(5,850,865)
Capital assets - net	1,445,476	10,145,907	11,591,383
Total assets	3,532,577	17,718,966	21,251,543
Liabilities			
Current liabilities			
Accounts payable	332,211	275,434	607,645
Accrued expenses	31,966	8,713	40,679
Accrued interest		63,526	63,526
Due to other funds	280	110,275	110,555
Current portion of long-term liabilities		320,000	320,000
Total current liabilities	364,457	777,948	1,142,405
Long-term liabilities			
Advance from other funds	840,000		840,000
Bonds payable		3,340,000	3,340,000
Compensated absences	23,100		23,100
Total long-term liabilities	863,100	3,340,000	4,203,100
Total liabilities	1,227,557	4,117,948	5,345,505
Net assets			
Invested in capital assets, net of related debt	1,445,476	6,485,907	7,931,383
Restricted for construction code authority	27,156		27,156
Unrestricted	832,388	7,115,111	7,947,499
Total net assets	\$ 2,305,020	\$ 13,601,018	\$ 15,906,038

See accompanying notes.

Township of Kimball
Statement of Activities
Year ended March 31, 2007

			Net (Expense) Revenue and Changes in Net Assets		
		Program Revenues	Primary Government		
			Governmental	Business-type	Total
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Activities</u>	<u>Activities</u>	
Functions and programs					
Governmental activities					
Legislative	\$ 85,536		\$ (85,536)		\$ (85,536)
General government	498,345	\$ 141,544	(356,801)		(356,801)
Public safety	549,198	166,174	(383,024)		(383,024)
Public works	336,886		(336,886)		(336,886)
Culture and recreation	46,602		(46,602)		(46,602)
Capital outlay	71,183		(71,183)		(71,183)
Total governmental activities	<u>1,587,750</u>	<u>307,718</u>	<u>(1,280,032)</u>		<u>(1,280,032)</u>
Business-type activities					
Water and sewer	1,770,154	1,240,233		(529,921)	(529,921)
Total primary government	<u>\$ 3,357,904</u>	<u>\$ 1,547,951</u>	<u>(1,280,032)</u>	<u>(529,921)</u>	<u>(1,809,953)</u>
General revenues					
Property taxes			318,513		318,513
State shared revenues			613,432		613,432
Unrestricted investment earnings			106,892	253,900	360,792
Other			193,343	40,232	233,575
Transfers			349,676	(349,676)	-
Total general revenues and transfers			<u>1,581,856</u>	<u>(55,544)</u>	<u>1,526,312</u>
Change in net assets			301,824	(585,465)	(283,641)
Net assets, beginning of year			<u>2,003,196</u>	<u>14,186,483</u>	<u>16,189,679</u>
Net assets, end of year			<u>\$ 2,305,020</u>	<u>\$ 13,601,018</u>	<u>\$ 15,906,038</u>

See accompanying notes.

Township of Kimball
Balance Sheet
Governmental Funds
March 31, 2007

	General Fund	Special Revenue Fund Liquor Enforcement	Permanent Fund Perpetual Care	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,813,467	\$ 5,977	\$ 23,897	\$ 1,843,341
Accounts receivable	79,943			79,943
Due from other funds	162,740			162,740
Prepaid expenses	7,084			7,084
Total assets	<u>\$ 2,063,234</u>	<u>\$ 5,977</u>	<u>\$ 23,897</u>	<u>\$ 2,093,108</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 331,874	\$ 337		\$ 332,211
Accrued expenses	31,966			31,966
Due to other funds		6,287		6,287
Advance from other funds	840,000			840,000
Total liabilities	<u>1,203,840</u>	<u>6,624</u>		<u>1,210,464</u>
Fund balances (deficit)				
Reserved - liquor enforcement		(647)		(647)
Reserved - cemetery care			23,897	23,897
Reserved - construction code authority	27,156			27,156
Unreserved and undesignated	832,238			832,238
Total fund balances (deficit)	<u>859,394</u>	<u>(647)</u>	<u>23,897</u>	<u>882,644</u>
Total liabilities and fund balances	<u>\$ 2,063,234</u>	<u>\$ 5,977</u>	<u>\$ 23,897</u>	<u>\$ 2,093,108</u>

See accompanying notes.

Township of Kimball
Reconciliation of Fund Balances to the Statement of Net Assets
Governmental Funds
Year ended March 31, 2007

Fund Balance - Total Governmental Funds	\$ 882,644
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	1,445,476
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Long-term liabilities are not due and payable in the current period and
are not reported in the funds.

Compensated absences	<u>(23,100)</u>
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Net Assets - Governmental Activities	<u><u>\$ 2,305,020</u></u>
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Township of Kimball
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended March 31, 2007

	General	Special Revenue Fund Liquor Enforcement	Permanent Fund Perpetual Care	Total Governmental Funds
Revenues				
Property taxes	\$ 318,513			\$ 318,513
Licenses and permits	166,174			166,174
Intergovernmental	609,459	\$ 3,973		613,432
Charges for services	141,044			141,044
Perpetual care			\$ 500	500
Interest	105,242	629	1,021	106,892
Other	193,343			193,343
Total revenues	<u>1,533,775</u>	<u>4,602</u>	<u>1,521</u>	<u>1,539,898</u>
Expenditures				
Current				
Legislative	75,934			75,934
General government	497,087			497,087
Public safety	493,927	4,354		498,281
Public works	329,191			329,191
Culture and recreation	44,030			44,030
Capital outlay	<u>1,249,540</u>			<u>1,249,540</u>
Total expenditures	<u>2,689,709</u>	<u>4,354</u>		<u>2,694,063</u>
Excess of revenues over (under) expenditures	(1,155,934)	248	1,521	(1,154,165)
Other financing sources				
Transfers in	<u>349,676</u>			<u>349,676</u>
Total other financing sources	<u>349,676</u>			<u>349,676</u>
Change in fund balance	(806,258)	248	1,521	(804,489)
Fund balance (deficit), beginning of year	<u>1,665,652</u>	<u>(895)</u>	<u>22,376</u>	<u>1,687,133</u>
Fund balance (deficit), end of year	<u>\$ 859,394</u>	<u>\$ (647)</u>	<u>\$ 23,897</u>	<u>\$ 882,644</u>

See accompanying notes.

Township of Kimball
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year ended March 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ (804,489)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Capital asset purchases capitalized	1,178,357
Depreciation expense	<u>(62,441)</u>
	1,115,916

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in compensated absences	<u>(9,603)</u>
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Net Change in Net Assets of Governmental Activities	<u><u>\$ 301,824</u></u>
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Township of Kimball
Statement of Net Assets
Proprietary Funds
March 31, 2007

	Business-type Activities Enterprise Funds
	Water & Sewer
Assets	
Current assets	
Cash and equivalents	\$ 3,155,468
Accounts receivable	394,901
Total current assets	<u>3,550,369</u>
Advance to other funds	840,000
Special assessments receivable	3,125,218
Unamortized discount on bonds - net	57,472
Capital assets	
Property, plant and equipment	14,281,878
Less accumulated depreciation	<u>(4,135,971)</u>
Capital assets - net	<u>10,145,907</u>
Total assets	<u>17,718,966</u>
Liabilities	
Current liabilities	
Accounts payable	275,434
Accrued expenses	8,713
Accrued interest	63,526
Due to other funds	110,275
Current portion of long-term liabilities	320,000
Total current liabilities	<u>777,948</u>
Long-term liabilities	
Bonds payable	<u>3,340,000</u>
Total long-term liabilities	<u>3,340,000</u>
Total liabilities	<u>4,117,948</u>
Net Assets	
Invested in capital assets, net of related debt	6,485,907
Unrestricted	<u>7,115,111</u>
Total net assets	<u><u>\$ 13,601,018</u></u>

See accompanying notes.

Township of Kimball
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year ended March 31, 2007

	Business-type Activities Enterprise Funds
	Water & Sewer
Operating revenues	
Service charges	\$ 1,240,233
Penalties	38,314
Miscellaneous	1,918
Total operating revenues	<u>1,280,465</u>
Operating expenses	
Salaries	261,205
Benefits	86,380
Operating supplies	42,475
Water purchases	434,737
Sewer service cost	352,593
Professional fees	20,163
Contracted services	45,220
Insurance	5,466
Printing and publishing	750
Utilities	7,816
Gasoline and oil	8,361
Repair and maintenance	24,092
Depreciation and amortization	285,998
Settlement	16,570
Miscellaneous	10,193
Total operating expenses	<u>1,602,019</u>
Operating loss	(321,554)
Non-operating revenues and (expenses)	
Interest income	253,900
Interest expense	(168,135)
Total non-operating revenue and (expenses)	<u>85,765</u>
Loss before transfers	(235,789)
Transfers out	<u>(349,676)</u>
Change in net assets	(585,465)
Net assets, beginning	14,186,483
Net assets, ending	<u>\$ 13,601,018</u>

See accompanying notes.

Township of Kimball
Statement of Cash Flows
Proprietary Funds
Year ended March 31, 2007

	Business-type Activities Enterprise Funds
	Water & Sewer
Cash flows from operating activities	
Cash received from users	\$ 1,190,550
Cash paid to employees and vendors	(1,235,746)
Cash received from other funds	53,688
Net cash flow from operating activities	<u>8,492</u>
Cash flows used by capital and related financing activities	
Acquisition/construction of capital assets	(273,945)
Cash receipts from special assessments	371,819
Cash payments to other funds to construct capital assets	(1,189,676)
Payments on long-term debt	(320,000)
Interest paid on long-term debt	(168,135)
Net cash flows used by capital and related financing activities	<u>(1,579,937)</u>
Cash flows from investing activities	
Interest on investments	253,900
Net cash flows from investing activities	<u>253,900</u>
Decrease in cash and cash equivalents	(1,317,545)
Cash and cash equivalents, beginning of year	4,473,013
Cash and cash equivalents, end of year	<u>\$ 3,155,468</u>
Classified as:	
Current assets	<u>\$ 3,155,468</u>
Reconciliation of operating income to net cash flows from operating activities	
Operating income	\$ (321,554)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation and amortization	285,998
Increase in accounts receivable	(89,915)
Increase in accounts payable	81,891
Decrease in accrued expenses	(1,616)
Increase in amounts due to other funds	53,688
Net cash flow from operating activities	<u>\$ 8,492</u>

See accompanying notes.

Township of Kimball
Statement of Fiduciary Net Assets
March 31, 2007

	Fiduciary Fund Types		Total
	Trust and Agency	Current Tax	Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 98,817	\$ 46,458	\$ 145,275
Due from other funds	280		280
Total assets	<u>99,097</u>	<u>46,458</u>	<u>145,555</u>
Liabilities			
Due to other funds		46,458	46,458
Due to others	99,097		99,097
Total liabilities	<u>\$ 99,097</u>	<u>\$ 46,458</u>	<u>\$ 145,555</u>

See accompanying notes.

Township of Kimball

Notes to the Financial Statements

March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Kimball (the “Township”) complies with accounting principles generally accepted in the United States of America. The Township’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) Opinions issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Reporting Entity

The Township of Kimball, Michigan, established in 1855, is a public corporation created under the constitution and statutes of the State of Michigan. Located in St. Clair County, the Township of Kimball covers an area of approximately 36 square miles and is one of 23 townships in St. Clair County, Michigan, each of which is a separate governmental entity. The Township operates under an elected Township Board of Officials, which consists of a Supervisor, Clerk, Treasurer and four Trustees, and provides services to its more than 8,600 residents in many areas including fire protection, water, sewer, streets, parks and recreation. In evaluating how to define the Township for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America, currently GASB Statement #14, *The Financial Reporting Entity* and GASB Statement #39, *Determining Whether Certain Organizations are Component Units*.

Based upon the application of these criteria, the basic financial statements of the Township contain all the funds controlled by the Township’s Board of Officials as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Township.

Basis of Presentation

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the Township, the primary government, as a whole. They include all funds of the reporting entity except for fiduciary funds, which are excluded from government-wide financial statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Township of Kimball

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the government-wide statement of net assets, the columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts: invested in capital assets, net of related debt; restricted for Construction Code Authority and unrestricted net assets.

The government-wide statement of activities demonstrates the degree to which the direct expenses (including depreciation) of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

In creating the government-wide financial statements, the Township has eliminated inter-fund transactions. This government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria or is the Township chooses to present it as such:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

Township of Kimball

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions, grants and other governmental revenues.

Special Revenue Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources other than special assessments that are legally or contractually restricted to expenditures for specific purposes. The following fund is included:

- Liquor Enforcement

The Liquor Enforcement Fund is a special revenue fund that is used to record the liquor enforcement activity of the Township.

Permanent Fund – Permanent Funds are used to account for resources that are legally restricted to allow the earnings, but not the principal, to be used to support the government's programs. The following fund is included:

- Perpetual Care

The Perpetual Care Fund is a permanent fund that is used to record the guaranteed maintenance activity of the Township's cemetery.

Proprietary Fund

Enterprise Fund – Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The following fund is included:

- Water and Sewer

The Water and Sewer Fund is an enterprise fund used to record the activities related to providing water and sewer services to the Township's citizens.

Township of Kimball

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Agency Funds – Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The following funds are included:

- Current Tax Collection

The Current Tax Collection Fund is used to account for taxes collected as an agent for other governmental units.

- Trust and Agency

The Trust and Agency Fund is used to account for amounts collected as an agent and temporarily held in trust for various individuals in the normal course of Township business.

Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when susceptible to accrual (i.e. when it is, “measurable and available”). Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures are recorded when the related fund liability is incurred, except interest on long-term debt, which is recorded when paid.

Amounts reported as program revenue include: charges to customers or applicants for goods, services or privileges provided, operating grants, capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Agency funds involve only the receipt, temporary investment and remittance of fiduciary resources to individuals or other governmental units.

Township of Kimball

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Policies and Practices

Michigan Compiled Laws, Section 129.91 authorizes the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank, savings and loan association or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation or National Credit Union Administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits and investment policy are in accordance with statutory authority.

Assets, Liabilities and Fund Equity

Deposits and investments – The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Inter-fund receivables/payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities, fiduciary activities and the business-type activities are reported in the government-wide financial statements as "due from other funds" and "due to other funds."

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet.

Accounts receivable – The Township considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period of uncollectibility.

Capital Assets – Capital Assets, which include property, plant, equipment and infrastructure assets (water and sewer lines, tennis courts and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial cost of more than \$5,000 and an estimated useful life of more than one year. All property and equipment are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated property and equipment are valued at their estimated fair value on the date donated.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-40 years
Furniture, equipment and software	3-5 years
Vehicles	5 years
Land improvements	15 years
Water and sewer lines	50 years

Township of Kimball

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt (reported at face value) and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets.

Equity Classifications – In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets – consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors or laws and regulations of other governments or through constitutional provisions or enabling legislation.
- Unrestricted net assets – consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, designations of unreserved fund balances in the governmental funds indicate tentative plans for use of financial resources in a future period. Unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Compensated Absences

The Township allows employees to accumulate vacation and sick time from year to year within limits. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Township of Kimball

Notes to the Financial Statements (continued)

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Construction Code Act

The Township tracks the results of building department operation in the General Fund in accordance with Michigan Public Act 245 of 1999. The Township is required to maintain an accounting system that separately accumulates revenues and expenditures related to the building department function. As required under the provision of the Act, the Township adopted this accounting treatment effective January 1, 2000. A summary of the activity since January 1, 2000 is as follows:

Cumulative revenue over expenditures – April 1, 2006	\$ 49,394
2006-2007 building department activity:	
Permit revenue	\$ 166,174
Expenditures	<u>(188,412)</u>
Deficiency of revenue under expenditures	<u>(22,238)</u>
Cumulative revenue over expenditures – March 31, 2007	<u>\$ 27,156</u>

Budget Requirements, Accounting and Reporting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All annual appropriations lapse at the fiscal year end. Each fund's appropriated budget is prepared on a detailed line-item basis. The Township does not maintain a formalized encumbrance accounting system.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Supervisor submits to the Township Board, a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Township's annual board meeting to obtain taxpayer comments.

Township of Kimball

Notes to the Financial Statements (continued)

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

3. Prior to April 1, the budget is legally adopted by a Township Board Resolution pursuant to the uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires the budget to be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget or in excess of the amount appropriated. Any expenditure in violation of the budgeting act is disclosed as an unfavorable variance on the budgetary comparison schedule - general and special revenue fund types. PA 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between line-items within an activity. However, any revisions that alter the total expenditures of any activity must be approved by the Township Board.
5. The budget as presented has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 31.
6. Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Excess of Expenditures over Appropriations in Budgeted Funds

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the line-item level.

During the year ended March 31, 2007, the Township incurred expenditures in excess of the amounts appropriated, as follows:

Fund	Total Appropriations	Amount of Expenditure	Budget Variance
General Fund:			
Legislative	\$ 75,000	\$ 75,934	\$ 934
Culture and recreation	42,200	44,031	1,831
Capital outlay	84,671	243,962	159,291

During the year ended March 31, 2007, the Township did not prepare a budget for the Perpetual Care permanent fund.

Township of Kimball

Notes to the Financial Statements (continued)

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Deficit Fund Balance

A deficit fund balance of \$647 exists in the Liquor Enforcement Fund. The deficit results from expenditures over revenues incurred in current and prior years. It is expected that positive operations during the next year will provide a positive fund balance.

3. CASH AND CASH EQUIVALENT DEPOSITS – CUSTODIAL CREDIT RISK

Cash deposits and investments (certificates of deposit with maturities less than 90 days) are carried at cost. Cash deposits and certificates of deposit of the Township are in the name of the Township at two banks.

At March 31, 2007, the Township had six depository accounts. The Township does not have a deposit policy. The book value of the Township's bank deposits, consisting of five interest bearing checking accounts and one interest bearing savings account, was \$883,913. Of the bank balance, \$100,000 was covered by Federal depository insurance and \$858,911 was uninsured and uncollateralized; therefore, subjecting the Township to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. However, the Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 100,000
Uninsured and uncollateralized	<u>858,911</u>
Total	<u>\$ 958,911</u>

Township of Kimball

Notes to the Financial Statements (continued)

4. INVESTMENTS

At March 31, 2007, the Township had the following investments and maturities:

	Investment Maturities (in years)				
	Fair Market Value	Less than 1	1 – 5	6 - 10	More than 10
Deposits:					
Certificates of Deposit	\$ 4,260,170	\$ 4,260,170			
Total investments	\$ 4,260,170	\$ 4,260,170	\$ -	\$ -	\$ -
Less investments reported as “Cash and Cash Equivalents” on the Statement of Net Assets	4,260,170				
Total investments	<u>\$ -</u>				

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township’s investment policy does not specifically address interest rate risk. The Township’s policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk of investments. The Township’s certificates of deposit are not rated; however, the Township evaluates each financial institution with which it invests funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used.

4. INVESTMENTS (continued)

Credit Risk

Credit risk is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. The Township's investments are limited by those authorized under Public Act 20 of 1943 (as amended) for credit risk. The Township also has the following investment policies further limiting its investment choices:

- Bonds, securities and other obligations of the United States or an instrumentality of the United States where the principal and interest is fully guaranteed by the United States.
- Certificates of deposit.
- Savings accounts.
- High grade commercial paper rated at the time of purchase within the three highest grades by at least two national rating services, the term to maturity may not be more than 270 days after the date of purchase and no more than 50% of any fund may be invested in commercial paper at any time.
- Bankers' acceptances of United States banks.
- United States government or federal agency obligation repurchase agreements.
- Money market mutual funds composed of investment vehicles which are permitted under state law for direct investment.

Certificates of deposit are not rated; however, the Township evaluates each financial institution with which it invests funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. State law and the Township's policy prohibit investment in foreign currency.

Township of Kimball

Notes to the Financial Statements (continued)

5. INTERFUND ACTIVITY

The amount of the inter-fund receivables and payables is as follows:

Receivable Fund	Payable Fund	Amount
General	Liquor Enforcement	\$ 6,007
General	Water & Sewer	110,275
General	Current Tax	46,458
Water & Sewer	General Fund	840,000
Trust & Agency	Liquor Enforcement	<u>280</u>
	Total	<u>\$ 1,003,020</u>

The balance of \$840,000 due to the water and sewer fund from the general fund is considered a long-term advance, and results from a loan the water and sewer fund made to the general fund to finance part of the construction of the new township hall. The full amount is not expected to be repaid within one year.

During the year, the Township made a one-time transfer of \$349,676 from the water and sewer fund to the general fund to subsidize, in part, the construction of the new township hall.

6. PROPERTY TAXES

Property taxes are levied and become a lien on each December 1 on the taxable assessed value listed as of the prior December 31 and are due without penalty on or before February 28 for all real and business personal property located in the Township. The taxable value of the certified roll on December 31, 2006, upon which the levy for the 2007 fiscal year was based, was \$241,591,305. The collection of these taxes and remittance to the proper authority are accounted for in the Current Tax Collection Fund. Property taxes are recorded as revenue in the fiscal year beginning immediately subsequent to the tax levy date of December 1.

The tax rates assessed for the year ended March 31, 2007 to finance operations was .7637 per \$1,000 valuation.

Township of Kimball

Notes to the Financial Statements (continued)

7. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity of the Township for the year ended March 31, 2007 was as follows:

	April 1, 2006	Additions	Disposals	March 31, 2007
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 49,500			\$ 49,500
Capital assets being depreciated:				
Land improvements	38,586			38,586
Buildings and improvements	313,020	\$ 1,005,578		1,318,598
Furniture, equipment and software	441,541	165,470		607,011
Vehicles	1,139,366	7,309		1,146,675
Subtotal, capital assets being depreciated	1,932,513	1,178,357		3,110,870
Less accumulated depreciation:				
Land improvements	4,027	2,572		6,599
Buildings and improvements	312,323	310		312,633
Furniture, equipment and software	237,005	45,726		282,731
Vehicles	1,099,098	13,833		1,112,931
Subtotal	1,652,453	62,441		1,714,894
Net capital assets being depreciated	280,060	1,115,916		1,395,976
Governmental activities capital assets – net	\$ 329,560	\$ 1,115,916	\$ -	\$ 1,445,476
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 7,000			\$ 7,000
Capital assets being depreciated:				
Buildings and improvements	47,078			47,078
Water and sewer lines in service	13,953,855	\$ 259,105		14,212,960
Vehicles	-	14,840		14,840
Subtotal, capital assets being depreciated	14,000,933	273,945		14,274,878
Less accumulated depreciation:				
Buildings and improvements	47,078			47,078
Water and sewer lines in service	3,806,988	280,174		4,087,162
Vehicles	-	1,731		1,731
Subtotal	3,854,066	281,905		4,135,971
Net capital assets being depreciated	10,146,867	(7,960)		10,138,907
Business-type activities capital assets – net	\$ 10,153,867	\$ (7,960)	\$ -	\$ 10,145,907

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	\$ 62,441
Business-type activities	281,905
Total all activities	<u>\$ 344,346</u>

Township of Kimball

Notes to the Financial Statements (continued)

8. LONG-TERM DEBT

Governmental activities

Governmental long-term debt as of March 31, 2007 consists of compensated absences for employees' banked sick and vacation time at their current hourly rate of pay.

Business-type activities

At March 31, 2007, outstanding debt consisted of the following:

Sewer and Water Special Assessment Bonds dated March 23, 1989 to partially fund the construction of water and sewer lines. Due in installments May 1, 1990 through May 1, 2008 with interest at 6.7% to 7.5%.	\$ 30,000
Water Supply System Limited Tax General Obligation Bonds dated February 1, 1990 issued by St. Clair County to partially fund the construction of water lines. The Township has entered into a contract with the County, pursuant to PA 185, 1987, to pay the County amounts sufficient to cover principal and interest payments on these bonds as they become due. Due in installments May 1, 1991 through May 1, 2009 with interest at 5.9% to 7.1%.	165,000
Water Supply System Special Assessment Bonds dated August 1, 1991 to partially fund the construction of water lines. Due in annual installments October 1, 1993 through October 1, 2011 with interest at 5.2% to 7.10%.	135,000
Water Supply System Special Assessment Improvement Bonds Series B (Limited General Obligation) dated April 22, 1999 to partially fund the construction of water lines. Due in annual installments December 1, 2000 to December 1, 2018 with interest at 4.0% to 6.0%.	240,000
Sewer Disposal System Special Assessment Improvement Bonds Series A (Limited General Obligation) dated April 22, 1999 to partially fund the construction of sewer lines. Due in annual installments December 1, 1999 to December 1, 2018 with interest at 4.0% to 5.9%.	625,000
Sewer Disposal System Special Assessment Improvement Bonds dated October 1, 2003 to partially fund the construction of sewer lines. Due in annual installments May 1, 2004 to November 1, 2023 with interest at 2.5% to 4.625%.	2,465,000
Total long-term debt, business-type activities	<u>\$ 3,660,000</u>

Township of Kimball

Notes to the Financial Statements (continued)

8. LONG-TERM DEBT (continued)

The following is a summary of the changes in long-term debt for the year ended March 31, 2007:

Governmental activities:

	Balance April 1, 2006	Increases	Decreases	Balance March 31, 2007
Compensated absences	\$ 13,497	\$ 9,603		\$ 23,100
Total	<u>\$ 13,497</u>	<u>\$ 9,603</u>	<u>\$ -</u>	
Less current portion				-
Total long-term debt, net of current portion				<u>\$ 23,100</u>

Business-type activities:

	Balance April 1, 2006	Increases	Decreases	Balance March 1, 2007
Sewer and Water Special Assessment Bonds dated March 23, 1989	\$ 45,000		\$ 15,000	\$ 30,000
Water Supply System Limited Tax General Obligation Bonds dated February 1, 1990	220,000		55,000	165,000
Water Supply System Special Assessment Bonds dated August 1, 1991	170,000		35,000	135,000
Water Supply System Special Assessment Improvement Bonds Series B dated April 22, 1999	260,000		20,000	240,000
Sewer Disposal System Special Assessment Improvement Bonds Series A dated April 22, 1999	675,000		50,000	625,000
Sewer Disposal System Special Assessment Improvement Bonds dated October 1, 2003	2,610,000		145,000	2,465,000
	<u>\$ 3,980,000</u>	<u>\$ -</u>	<u>\$ 320,000</u>	<u>3,660,000</u>
Less current portion				320,000
Total long-term debt, net of current portion				<u>\$ 3,340,000</u>

Township of Kimball

Notes to the Financial Statements (continued)

8. LONG-TERM DEBT (continued)

Interest expense for the year ended March 31, 2007 was \$168,135 from all activities.

Debt service requirements

Business-type activities

Debt service requirements – The annual principal and interest requirements through maturity for all debts outstanding as of March 31, 2007:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 320,000	\$ 156,424	\$ 476,424
2009	310,000	142,292	452,292
2010	295,000	128,961	423,961
2011	240,000	117,689	357,689
2012	240,000	107,936	347,936
2013	215,000	97,751	312,751
2014	215,000	89,090	304,090
2015	220,000	80,359	300,359
2016	220,000	71,171	291,171
2017	220,000	61,739	281,739
2018	220,000	52,161	272,161
2019	220,000	42,411	262,411
2020	145,000	32,516	177,516
2021	145,000	26,281	171,281
2022	145,000	19,901	164,901
2023	145,000	13,376	158,376
2024	145,000	6,706	151,706
	<u>\$ 3,660,000</u>	<u>\$ 1,246,764</u>	<u>\$ 4,906,764</u>

9. RETIREMENT PLAN

Substantially all of the full-time employees of the Township are covered by a defined contribution retirement plan. For the year ended March 31, 2007 the Township contributed \$32,417 to the plan.

10. RELATED ORGANIZATION

The Township has a related organization, the Kimball Township Economic Development Corporation (the “EDC”). The EDC is financially accountable to the Township. There has not been any activity related to the EDC during the current year. The related organization’s only asset, cash of \$3,187 is under the control of the Township. The EDC does not issue separate financial statements, and its net assets and activity have not been included in the Township’s financial statements.

Township of Kimball

Notes to the Financial Statements (continued)

11. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance for risks to cover these losses. The Township also continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

12. CONTINGENCIES

The Township is involved in various legal actions arising in the normal course of business. In the opinion of the Township Board, such matters will not have a material effect upon the financial position of the Township.

Required Supplemental Information

Township of Kimball
Required Supplemental Information
Budgetary Comparison Schedule - General, Special Revenue and Permanent Fund Types
Year ended March 31, 2007

	General Fund				Liquor Fund				Perpetual Care Fund			
	Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues												
Property taxes	\$ 298,100	\$ 298,100	\$ 318,513	\$ 20,413								
Licenses and permits	267,400	267,400	166,174	(101,226)								
Intergovernmental	570,000	570,000	609,459	39,459	\$ 3,779	\$ 3,779	\$ 3,973	\$ 194				
Charges for services	146,000	146,000	141,044	(4,956)								
Perpetual care											\$ 500	\$ 500
Interest	48,000	48,000	105,242	57,242			629	\$ 629			1,021	1,021
Other	107,000	107,000	193,343	86,343								
Total revenues	1,436,500	1,436,500	1,533,775	97,275	3,779	3,779	4,602	823			1,521	1,521
Expenditures												
Legislative												
Township board	75,000	75,000	75,934	934								
General government												
Supervisor	30,000	35,000	33,995	(1,005)								
Elections	20,000	26,000	26,454	454								
Assessor	70,000	80,000	78,473	(1,527)								
Clerk	97,000	117,000	125,764	8,764								
Board of review	4,000	7,000	4,410	(2,590)								
Treasurer	80,000	83,000	86,126	3,126								
Administration building	17,000	23,000	29,213	6,213								
Kleckner Hall	7,000	9,000	9,119	119								
Smiths' Creek building	6,000	7,000	6,536	(464)								
New township hall	66,000	1,266,000	1,072,439	(193,561)								
Cemetery	22,000	29,000	30,134	1,134								
Public safety												
Ordinance enforcer	14,000	16,000	15,492	(508)								
Fire protection	265,000	301,500	261,053	(40,447)								
Protective inspection	238,000	238,000	188,412	(49,588)								
Planning and zoning	36,000	36,000	28,971	(7,029)								
Liquor enforcement					3,088	6,088	4,354	(1,734)				
Public works												
Department of public works	40,000	51,000	53,524	2,524								
Drains	15,000	15,000	1,471	(13,529)								
Highways and streets	250,000	250,000	224,757	(25,243)								
Street lighting	41,000	48,000	49,439	1,439								
Culture and recreation												
Parks and recreation	36,000	38,000	38,437	437								
Library	4,200	4,200	5,594	1,394								
Capital outlay	84,671	84,671	243,962	159,291								
Debt service												
Principal and interest	34,000	34,000		(34,000)								
Total expenditures	1,551,871	2,873,371	2,689,709	(183,662)	3,088	6,088	4,354	(1,734)				
Excess of revenues over (under) expenditures	(115,371)	(1,436,871)	(1,155,934)	280,937	691	(2,309)	248	2,557			1,521	1,521
Other financing sources (uses)												
Transfers in	-	1,200,000	349,676	(850,324)								
Total excess of revenues over (under) expenditures and other financing sources (uses)	(115,371)	(236,871)	(806,258)	(569,387)	691	(2,309)	248	2,557			1,521	1,521
Fund balance / (deficit), beginning of year	1,665,652	1,665,652	1,665,652		(895)	(895)	(895)		22,376	22,376	22,376	
Fund balance / (deficit), end of year	\$ 1,550,281	\$ 1,428,781	\$ 859,394	\$ (569,387)	\$ (204)	\$ (3,204)	\$ (647)	\$ 2,557	\$ 22,376	\$ 22,376	\$ 23,897	\$ 1,521

TOWNSHIP OF KIMBALL
REPORT TO THE TOWNSHIP BOARD

October 17, 2007

Andrews Hooper & Pavlik P.L.C.
Certified Public Accountants
3201 University Drive, Suite 350
Auburn Hills, Michigan 48326



ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Township Officials
Township of Kimball
St. Clair County, Michigan

In planning and performing our audit of the financial statements of the Township of Kimball (the "Township") as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The following deficiencies in the year-end closing process, interfund activity and bank reconciliations are considered material weaknesses.

YEAR-END CLOSING PROCESS

We noted during our audit that management is not currently making all the adjusting journal entries related to the year-end closing process. However, management was able to provide support for the required entries. A well-designed system of internal control includes a process for accurately summarizing and reporting financial data on a timely basis. We had to make entries to adjust cash, interfund activity, receivables, fixed assets, and long-term debt.

RECORDING INTERFUND ACTIVITY

During our prior year audit and in the current year, we noted the interfund accounts did not reconcile between the funds. These accounts should always equal each other. We continue to suggest that management review these accounts on a monthly basis to help identify any errors and/or prevent them from occurring. We further recommend the balances due between funds be paid off at least once each year.

BANK RECONCILIATIONS

During our audit, we noted that the Township is not preparing proper, timely and accurate bank reconciliations. We also noted the bank account is not reconciled to the balance recorded in the general ledger. We noted that traditional bank reconciliations showing the balance per bank with reconciling items leading to the balance per books are not prepared. We recommend that the Township accurately track all cash through the general ledger and prepare timely and appropriate bank reconciliations. We also recommend that support for all reconciling items be attached to the bank reconciliations. We further recommend that the bookkeeper agree the bank reconciliations to the general ledger on a monthly basis to ensure the proper recording of cash, and initial the bank reconciliation as evidence of that process. Finally, we recommend that management review the bank reconciliations on a monthly basis and initial them to document approval.

The remaining deficiencies are not considered significant deficiencies or material weaknesses.

INTERFUND CASH ACTIVITY

The Township has a separate cash account for each fund. Cash often moves back and forth among the funds as a result of activity within the Township. However, we noted that when one fund would remit cash to another fund, there were often significant differences between the date the check was written, recorded and deposited. We recommend that when one fund remits cash to another fund, the dates the check is written, recorded and deposited be as close to one another as possible.

SEPARATION OF DUTIES

During our audit, we noted that the deputy treasurer is responsible for tracking and recording cash activity. We also noted that the same individual is an authorized check signer. This is a violation of standard segregation of duties, which require that the functions of authorization, possession and recording be separate. We recommend that the deputy treasurer be removed as an authorized check signer.

GENERAL LEDGER DETAIL

During our prior year audit and in the current year, we noted several instances in which various asset and liability account reconciliations did not agree to general ledger account balances. We made several adjusting journal entries to correct these errors. We again recommend the Township review the supporting account reconciliations on a regular basis and make corrections as needed. We also recommend that additional staff training or additional staff be added to facilitate and assist the Township in properly recording account activity on a regular basis.

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The above comments represent our observations during the course of the audit and are intended to be constructive suggestions for improvement. We would be pleased to discuss these comments with you at greater length and to assist you with any other needs, should you so desire.

Once again, we would like to thank the Township for its support and assistance during our audit.

This report is intended solely for the information and use of the Board of Trustees, management and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Andrews Hooper & Pavlik P.L.C.